MULTIMEDIA UNIVERSITY

STUDENT ID NO

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FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

BSM3114 – MANAGEMENT OF STRATEGY

(All sections/Groups)

9 FEBRUARY 2023
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 5 pages with 2 questions only.
2. Answer **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

Answer ALL TWO (2) questions.

QUESTION 1

BMW Pays $4.2 billions to Take Control of Chinese JV

February 11, 2022
By Victoria Waldersee

BERLIN, Feb 11 (Reuters) - BMW will pay 3.7 billion euros ($4.2 billion) to take majority control of its Chinese joint venture after securing the necessary licence from Beijing, as global automakers seek a tighter grip on business in the world's biggest car market. The German carmaker said on Friday it was increasing its stake in the venture with Brilliance Auto Group to 75% from 50%, as announced in 2018 when China said it would start relaxing ownership rules in the auto industry.

China said at the time it would remove foreign ownership caps for companies making fully electric and plug-in hybrid vehicles in 2018, for makers of commercial vehicles in 2020, and for the wider car market by 2022.

BMW said the deal would have a one-off positive effect of 7-8 billion euros ($8-9 billion) on the financial results of its automotive business, and boost free cash flow by about 5 billion euros.

"Our extended joint venture contract lays the foundation for further mutual growth and progressive development ... It paves the way for balanced development in the three main regions of the world," Chief Financial Officer Nicolas Peter said.

BMW was the first automaker to state in October 2018 it would take control of its main joint venture in China, which was founded in 2003 and is currently in place until 2040. In addition to a number of key industries where greater foreign ownership is now permitted, the new regulations announced by the NDRC and the MOC dramatically change the ownership rules in autos. Except for special purpose and new energy vehicles, foreign ownership in automobile manufacturing companies has been limited to 50% under the old regulations. Moreover, foreign companies have not been permitted to have more than two joint ventures producing similar vehicle products in China.

Mercedes-Benz (DAIGn.DE) owns 49% of its joint venture in China, Beijing Benz Automotive. Reuters reported in 2019 it was seeking to raise its stake, but faced opposition from its Chinese partner BAIC.

BMW expects sales in China to grow in 2022, its CFO has said, after seeing 9% growth in BMW and Mini deliveries last year to 846,237 vehicles. The BMW Brilliance Automotive joint venture produced 700,000 vehicles in 2021.Booming sales in China helped propel German luxury carmaker BMW to stronger profits in the first three months of the year even as its home market Germany trailed the ongoing recovery in global car markets from the worst of the pandemic shutdowns.

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"We succeeded in concluding the year with a strong fourth quarter and once again we lead the premium segment worldwide," said Pieter Nota, member of the board of management of BMW AG responsible for customer, brands and sales.

BMW's business in Europe was marked by retail restrictions as total BMW and MINI sales last year declined by 15.7 percent year-on-year to 912,621 units. Sales in the United States even fell by 18 percent to 306,870 units last year.

Despite lower overall sales, plug-in hybrid vehicles increased 38.9 percent year-on-year, "reflecting strong customer interest in this drive train variant," BMW noted. In China, the German carmaker had market share of more than 50 percent in the premium plug-in hybrid electric vehicle (PHEV) segment.

China's "extraordinary economic resilience combined with an upgrading trend in consumption and a leading position in electrification and digitalization are manifesting our confidence for the positive long-term development of the Chinese market," said Goller.

Based in Shenyang, one plant in Dadong district is currently being expanded, while a new one that will build fully-electric models alongside hybrids and internal combustion engine cars is also under construction alongside an existing plant in Tiexi.

BMW will add production of its X5 model in China, previously imported from the United States, in the second quarter of the year at the BMW Brilliance joint venture, a U.S. supplier source told Reuters in December.

Sources : https://www.reuters.com/business/autos-transportation/bmw-receives-license-take-75-stake-china-joint-venture-bmw-brilliance-automotive-2022-02-11/

a) Based on the above case, why did BMW decide to take majority control of the joint venture? Explain any **FOUR (4)** reasons for this decision with examples from the case. (20 marks)

b) Based on your opinion, explain any **THREE (3)** general environment factors that could have an impact on BMW. Justify the reasons. (15 marks)

c) BMW and Mercedes Benz are among the foreign companies who have joint venture in China. Explain any **TWO (2)** advantages and **ONE (1)** disadvantage of this strategy. (15 marks)

(Total: 50 marks)

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QUESTION 2

The Walt Disney Company, or Disney is an American multinational mass media and entertainment conglomerate with headquarters in Burbank, California. It was founded in 1923, by brothers Walt and Roy O. Disney. Bob Chapek is currently the CEO of Disney. Since the 1980s, Disney has created and acquired corporate divisions in order to market more mature content moving from its flagship family-oriented brands. The company is known for its film studio division which is Walt Disney Studios. Disney's other main business units include divisions in television, broadcasting, streaming media, theme park resorts, consumer products, publishing, and international operations. Through these various segments, Disney owns and operates the ABC broadcast network; cable television networks, publishing, merchandising, music, and theater divisions; direct-to-consumer streaming services such as Disney+, Star+, ESPN+, Hulu, and Hotstar; and Disney Parks, Experiences and Products, which includes several theme parks, resort hotels, and cruise lines around the world.

Acquisition of Pixar

Former Walt Disney boss Bob Iger revealed that the acquisition of Pixar was perhaps his proudest moment as the CEO of the company. He acquired Pixar two months after he was appointed as Disney's boss in 2005. Disney bought Pixar at $7.4 billion at the time, a move that was criticized by Wall Street analysts and former company executives. However, Pixar has generated more than $11 billion for Disney at the global box office alone over the past decade and a half. He stated:

"What I wanted to do more than anything is, I wanted to send a signal to everybody at Disney that it was a new day, that we were more open-minded about expansion, in particular about partnerships. That creativity was the most important strategy for the company. And Pixar, at that point, exemplified original storytelling and quality and creativity at in its highest form."

At the time of Pixar's acquisition, Disney's animation sector was struggling for ideas following the success of animations such as "The Lion King," "Aladdin," and "Pocahontas." The acquisition of Pixar helped spark ideas into the Disney animation sector, leading to broader success over the past few years. Pixar on the other hand had successful movies like Toy Story, Finding Nemo, Bug's Life, The Incredibles. Pixar was using modern animation technology and thus, it has both the creative and technical talents.

Current CEO Bob Chapek's Memo

In a memo sent to staff, CEO Bob Chapek notes company's mission is clear as it works to ensure next 100 years are as successful as its first.

Read on for Chapek's full memo:

"Team,

As we begin the New Year, I want to share our mission and the strategic pillars that will be key to our success—but first, I want to start 2022 on a note of gratitude for all of you, your talent, dedication, and optimism during the most disruptive time in our company's history. Thanks to you,

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we are weathering the pandemic and emerging stronger than ever. Over the last two years, we continued to tell the world's best stories, reorganized, and accelerated our transformation to better serve audiences and guests. We looked inward during a time of social disruption, saw how much was left to do, and made significant change. And of course, we underwent a leadership change and I am enormously grateful for the tremendous foundation Bob Iger left us.

You achieved those things during a once-in-a-century pandemic, and I want to acknowledge those whose roles require them to be in the office or one of our parks, as well as those working from home while managing at-home learning and gaps in childcare. I also appreciate your patience as we begin reopening our offices. Our long-term goal is to provide greater flexibility, and your leaders will be in touch as plans evolve.

It's ironic that this disruption is happening as we prepare to celebrate our company's 100th anniversary. For nearly a century, we have defined and redefined entertainment, created countless lifelong memories, and delighted fans and families around the world. It's a legacy that is simply unrivalled—and a welcome responsibility for us to build upon.

And so I believe our mission for this year is clear: set the stage for our second century, and ensure Disney's next 100 years are as successful as our first. To do that, we will focus on three pillars.

- First, storytelling excellence.

What makes Disney so unique is that the stories we tell mean something to people. They inspire, give hope, bring us together, illuminate the world around us, and create memories. That is Disney magic, and we must continue to set the creative bar higher and higher. To that end—and in addition to all my other creative meetings—I am establishing a new standing monthly meeting with our senior creative leaders to discuss the opportunities we face as a storytelling enterprise. This will encourage collaboration, sharing of best practices, and stimulate cross-studio ideation.

- Second, innovation.

Since *Steamboat Willie*, we have been the world's foremost innovative storytellers. That must continue as technology evolves, giving our creative teams new canvases like the metaverse on which to paint. We should be especially innovative as we seek to bring stories to life in new ways—particularly if they enhance what many call our "franchise ecosystem," which is one of the things that sets us apart.

- And third, relentless focus on our audience.

We are a big company with many constituents and stakeholders, all of whom have a place in our decision-making. But at the end of the day, our most important guide—our North Star—is the consumer. Right now, their behavior tells us and our industry that the way they want to experience entertainment is changing—and changing fast thanks to technology and the pandemic. We must evolve with our audience, not work against them. And so we will put them at the center of every decision we make.

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When you look at the entertainment landscape, I believe Disney stands alone. We have the world's most creative storytelling engine along with the world's most beloved brands and franchises—which we can bring to life in ways no one else can. We have a portfolio of distribution platforms across the world—including powerful streaming services—with the ability to reach audiences anywhere, anytime. We have the #1 news organization and the most trusted brand in sports. We bring people together and make magical memories that last a lifetime at our parks and on our cruise ships. We have a unique ability to impact culture and connect with people on deeply personal levels. And we have you—the best team in the business.

Sources:
https//:www.awn.com/news/Disney-sets-three-strategic-pillars-success-2022
https://finance.yahoo.com/news/former-disney-bob-iger-says-214215085.html

a) Bob Iger the CEO of Disney at that time decided to acquire Pixar in 2005. Discuss any **FOUR (4)** possible reasons for the acquisition. (20 marks)

b) Describe the characteristics of slow cycle market. If Disney is categorised under slow cycle market, discuss **ONE (1)** way how Disney can ensure it remains competitive. (15 marks)

c) Why did Disney's CEO come up with the 3 pillars? Justify your answer with **THREE (3)** reasons. (15 marks)

(Total: 50 marks)

End of Paper